

**Revenue Management and the elasticity of demand: The case of
three hotels.**

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Abstract

Pricing represents a basic strategic tool for the hotel revenue management. This study proposes a demand function methodology able to measure the price elasticity of the resort hotels demand, as well as the effect on demand of other variables such as the reservation date or occupancy. Additionally, the methodology is applied to the online demand of two resort hotels located in Mallorca –a well-known mature mass tourism destination– in order to estimate the different seasonal elasticity values, which might be used by the revenue management department to establish the best pricing strategy. The results indicate first, that the two hotels present completely different elasticity values during the peak season, so that attributes as location, number of room, or demand nationality may have an important effect on pricing; and second, that common price variations among different establishments or different segments within the same hotel sometimes may represent a wrong pricing strategy.

Keywords: revenue management, elasticity of demand, hotel demand; hotel pricing